

Auto Sector Update

Thursday, August 15, 2024

The July Dip: Unexpected Decline in Month-over-Month Auto Sales

In July 2024, the Pakistan Automotive Manufacturers Association (PAMA) reported a decline in monthly car sales for the 1MFY25, totaling 8,589 units. However, this figure represents a substantial 69% increase compared to the same period last year, reflecting the impact of a low base effect from the previous year.

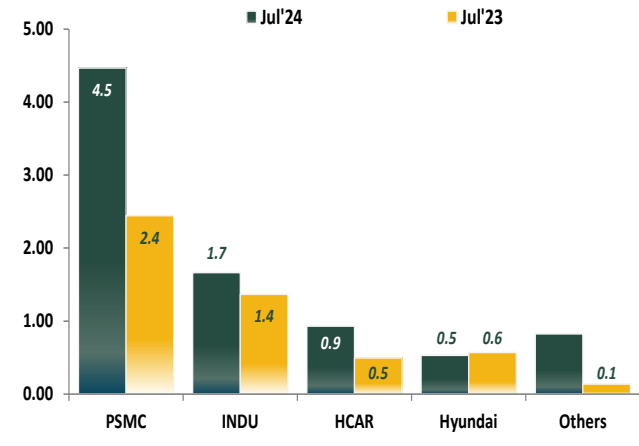
The m/m decline in sales was driven by high preemptive buying in the prior month, as consumers anticipated rising car prices in July due to new tax applications. Additionally, increased car prices coupled with reduced consumer spending contributed to weaker sales.

As per PAMA's sales figures for July 2024:

- Passenger car sales have sharply declined by 42% m/m, totaling just 5,857 units. However, year-over-year growth has surged by 58%, indicating a rebound in the automobile industry from the SPLY, driven by improving macroeconomic conditions.
- Sales figures for CVs and SUVs have surged by 97% y/y. However, there was a 13% m/m decline in July, with a total of 2,732 units sold.
- Tractor sales have plummeted dramatically, with a 65% m/m decline to just 1,460 units sold. Year-over-year, sales have also dropped significantly by 45%.
- On a month-over-month basis, the performance of buses and trucks displayed a contrasting trend. experienced a marginal 3% decrease, while buses saw a 44% increase in sales. In contrast, the y/y comparison, analysis revealed a surge of 87% in bus performance, whereas trucks surged by 52%.
- In July, the motorcycle industry experienced a slight month-over-month sales decline of 5%, with total units sold reaching 84,993.

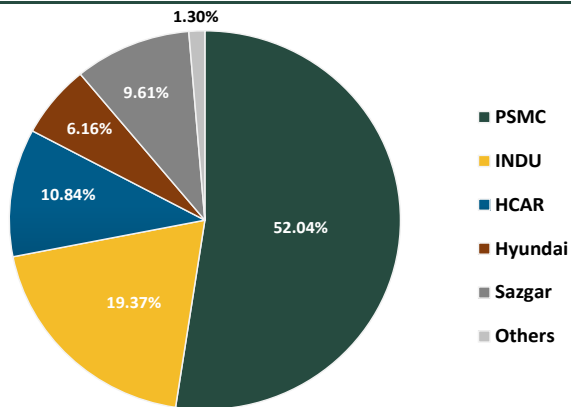
INDU: In July 2024, INDU's market share declined to 19.37% as the sales saw a drop in monthly sales. On m/m basis, INDU sales decreased by 44%. However, on y/y basis, it increased by 22% compared to the same period last year. The decline in the monthly sales was largely attributed to decreased performance across INDU's product line. Specifically, sales of INDU variants, such as the Corolla Yaris and Corolla Cross, plummeted by 52% month-over-month, while the Toyota Hilux saw a 16% reduction. The production halt from July 15th to July 22nd, caused by an inventory shortage, significantly impacted sales for the month. Despite these challenges, INDU maintained its position as the second-largest market share holder in July. On a positive note, INDU achieved a major milestone with the announcement of vehicle exports from Pakistan. The company revealed plans to export the Toyota Fortuner, Hilux, and Corolla Cross models to Oceanian markets. This strategic move is expected to bolster the company's profitability and enhance its market share in the coming months.

Monthly Sales - YoY (in '000)



Source: PAMA, HMFS Research

Four Wheeler's Market Share - 1MFY25



Source: PAMA, HMFS Research

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HCAR: In July 2024, Honda Atlas Cars Pakistan Limited (HCAR) reported a slight m/m decline in sales, down by 18% to a total of 931 units sold. This decrease was largely attributable to a 20% reduction in Honda City sales. However, on a y/y basis, HCAR experienced an impressive sales growth of 88%, with Honda City sales more than tripling, reflecting a 2.8-fold increase. In a strategic move to capitalize on the growing demand for hybrid vehicles, HCAR has announced a substantial investment of PKR 5bn to establish a state-of-the-art hybrid vehicle production facility in Pakistan. This investment is poised to bolster local manufacturing and assembly of hybrid electric vehicles (HEVs). The Pakistani automotive sector is currently abuzz with hybrid offerings, as leading companies have already made significant strides in this market. With Honda Atlas entering the fray, competition in the HEV segment is expected to intensify, potentially driving further innovation and customer acquisition across the industry.

SAZEW: In July 2024, SAZEW reported a m/m decline of 5% in sales. However, despite this drop, the company achieved a 5.11x times increase y/y in overall sales. Haval, on the other hand, experienced a 4% decrease in month-on-month sales, with 824 units sold. In the three-wheeler segment, SAZEW also saw a downturn, with 1,624 units sold—a reduction of 11% m/m. Nevertheless, SAZEW made notable progress with a significant year-over-year growth of 1.13x times in three-wheeler sales. Furthermore, the company experienced a 5.75x times increase in year-on-year sales within the cars and SUVs segment. Looking ahead, SAZEW is set to launch the new imported Completely Built-Up (CBU) "ORA-07 EV" Electric Vehicle in the coming days. Additionally, the Global Index Provider Morgan Stanley Capital International (MSCI) has upgraded SAZEW to its Frontier Market (FM) Index. This elevation reflects a significant positive shift for SAZEW and positions the company to potentially become a more formidable player in the market.

Outlook

Looking ahead, Pakistan's auto sector appears poised for potential growth. This optimism is fueled by the anticipation of the IMF bailout, which is expected to stabilize the economy and enhance fiscal health. Additionally, with the State Bank of Pakistan reducing the interest rate to 19.5% amid a declining inflation trend, auto financing is likely to become more attractive along with the reduction in petrol prices providing a crucial boost to the industry.

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Sales	1MFY25	1MFY24	YoY	Jul-24	Jul-23	YoY	Jun-24	MoM
Top Listed Automobiles Companies' Sales								
PSMC	4,470	2,444	83%	4,470	2,444	83%	6,885	-35%
INDU	1,664	1,368	22%	1,664	1,368	22%	2,957	-44%
HCAR	931	494	88%	931	494	88%	1,095	-15%
SAZEW	825	1,599	-48%	825	135	511%	871	-5%
Cars	5,857	3,702	58%	5,857	3,702	58%	10,128	-42%
Cars & LCV's								
LCV's + SUVs	2,732	1,390	97%	2,732	1,390	97%	3,156	-13%
Total	8,589	5,092	69%	8,589	5,092	69%	13,284	-35%
Tractors								
AGTL	855	1,022	-16%	855	1,022	-16%	1,416	-40%
MTL	605	1,656	-63%	605	1,656	-63%	2,718	-78%
Total	1,460	2,678	-45%	1,460	2,678	-45%	4,134	-65%
Trucks								
Isuzu	162	43	277%	162	43	277%	120	35%
Hino	29	14	107%	29	14	107%	14	107%
Master	47	105	-55%	47	105	-55%	101	-53%
JAC	13	3	333%	13	3	333%	25	-48%
Total	251	165	52%	251	165	52%	260	-3%
Buses								
Hino	8	6	33%	8	6	33%	9	-11%
Master	39	4	875%	39	4	875%	29	34%
Isuzu	9	20	-55%	9	20	-55%	1	800%
Total	56	30	87%	56	30	87%	39	44%
Motorcycles								
Atlas Honda	70,255	62,012	13%	70,255	62,012	13%	80,204	-12%
Pak Suzuki	1,643	957	72%	1,643	957	72%	1,570	5%
Yamaha	302	675	-55%	302	675	-55%	338	-11%
Others	12,793	9,944	29%	12,793	9,944	29%	7,783	64%
Total	84,993	73,588	15%	84,993	73,588	15%	89,895	-5%
Three Wheelers								
SAZEW	1,624	761	113%	1,624	761	113%	1,818	-11%

Source: PAMA, HMFS Research

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<i>HOLD</i>	<i>Between 15% Upside & 15% Downside</i>
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Note: All fair value estimates are for a twelve month time horizon unless specified otherwise in the report	
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Total Return is based on both the Capital Gains return & the Dividend Yield & is exclusive of all applicable taxes	